

Expanded transfer policy for inpatient services

ISSUE: Should Medicare's expanded transfer policy for discharges from acute care hospitals to post-acute settings be extended to additional DRGs? If the policy were expanded, should that expansion affect a limited number of additional DRGs or all DRGs?

KEY POINTS: The Balanced Budget Act of 1997 changed the transfer payment policies under Medicare's hospital inpatient PPS. The BBA expanded the transfer policy to include cases in selected DRGs that are discharged to non-PPS hospitals or units, skilled nursing facilities, or home health care that is related to the condition or diagnosis that accounted for the inpatient stay. The expanded transfer policy started in fiscal year 1999 with 10 DRGs selected by the Secretary. For transfer cases, hospitals generally receive twice the per diem amount for the first day of care and the per diem amount for all subsequent days of care, up to the full DRG payment for the case.

Even though the expanded transfer policy reduces payments for cases with short stays, payments on average exceed the cost of care. Implementing the initial policy reduced total PPS payments by about 0.7 percent.

The Secretary was authorized to expand the transfer policy starting in fiscal year 2001 but delayed consideration of any expansion for two years in conjunction with the Balanced Budget Refinement Act. In the proposed rule for inpatient hospital payment for fiscal year 2003, the Secretary considered extending the transfer policy to additional DRGs, but decided to forgo any expansion this year due to limited time to analyze and respond to points raised by commenters to the proposed rule. The Secretary plans to conduct research to assess whether expansion of the policy would be warranted for fiscal year 2004.

ACTION: The Commission should discuss the merits of expanding the post-acute transfer policy to additional DRGs. We will provide an overview of the expanded transfer policy at the November meeting and review some of the policy's current effects on hospital payments. At the December meeting we plan to provide some more detailed analysis of options for expanding the post-acute transfer policy to additional DRGs.

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